

# HOUSE BILL REPORT

## HB 1454

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to having one debt limit by eliminating the statutory debt limit.

**Brief Description:** Eliminating the statutory debt limit.

**Sponsors:** Representative Dunshee; by request of Office of Financial Management.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 2/3/09, 2/19/09 [DPS].

<h4><b>Brief Summary of Substitute Bill</b></h4>
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- Repeals the statutory debt limit.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Jacks, Maxwell, Orwall and White.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Hope, McCune and Smith.

**Staff:** Nona Snell (786-7153)

#### **Background:**

The Washington Constitution and state statute allow for the issuance of general obligation bonds to finance projects included in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state toward payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate. The State Finance

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Committee, which comprises the Governor, Lieutenant Governor, and the State Treasurer, is responsible for the issuance of all state bonds.

With certain exceptions, the amount of state general obligation debt that may be incurred is limited by constitutional and statutory restrictions. Both of these provisions restrict the amount of general state revenues that may be allocated to pay for outstanding general obligation debt. The Constitutional debt limit restricts debt service in any year from exceeding 9 percent of general state revenues averaged over the previous three years. The statutory debt limit is 7 percent of general state revenues. Despite their general similarity, the statutory and Constitutional debt limits contain a number of different inclusions and exclusions in calculating state debt and general state revenues.

Debt excluded from the statutory debt limit but not from the Constitutional debt limit include: (1) reimbursement bonds; (2) stadium bonds; (3) debt issued to finance improvements to the State Capitol East Plaza Garage; (4) debt issued to finance rehabilitation of the Legislative Building; and (5) debt issued to finance multimodal transportation projects.

As determined by the State Treasurer, in the 2009-11 biennium, the Constitutional debt limitation is \$1.89 billion. For the same year, the statutory debt limitation is \$1.63 billion.

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**Summary of Substitute Bill:**

The bill repeals the 7 percent statutory debt limit.

**Substitute Bill Compared to Original Bill:**

References to the statutory debt limit and the statutory definition of general state revenue are removed. Language is added specifying that the state may issue bonds within the statutory debt limit, and the responsibilities of the State Finance Committee include calculating the outstanding debt and prioritizing issuance of bonds or other indebtedness.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on July 1, 2009.

**Staff Summary of Public Testimony:**

(In support) Removing the statutory debt limit is necessary to implement the capital budget, and it will allow for transparency in calculations of the debt limit.

(Opposed) None.

**Persons Testifying:** Representative Dunshee, prime sponsor; and Tom Saelid, Office of Financial Management.

**Persons Signed In To Testify But Not Testifying:** None.